

Message Text

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PAGE 01 ROME 02140 131657Z

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

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PA-02 PRS-01 USIA-15 /098 W
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TO SECSTATE WASHDC 9513

INFO US MISSION EC BRUSSELS 5931

AMCONSUL MILAN

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UNCLAS ROME 2140

E.O. 11652: N/A

TAGS/ EFIN, IT

SUBJECT: FURTHER REDUCTION IN ITALIAN INTEREST RATES

REF: ROME 1017 OF JANUARY 23, 1975

PASS TREASURY AND FRB

1. ON FEBRUARY 12 EXECUTIVE COMMITTEE OF ITALIAN BANKING ASSOCIATION ISSUED COMMUNIQUE WHICH DESCRIBES AGREEMENT AMONG ITALIAN BANKS FOR FURTHER REDUCTION IN MAXIMUM INTEREST RATES PAYABLE ON DEMAND DEPOSITS AND SAVINGS DEPOSITS (SEE REFTEL).

2. ALL BANKS ARE ASKED TO REDUCE BY 2 POINTS EFFECTIVE IMMEDIATELY INTEREST PAYMENTS ON OUTSTANDING DEMAND DEPOSITS AND SAVINGS DEPOSITS, WITH MAXIMUM RATES IN ANY CASE NOT TO EXCEED 14 PERCENT AND 15 PERCENT RESPECTIVELY. EFFECTIVE MARCH 1, NEW SERIES OF MAXIMUM INTEREST RATES WOULD THEN APPLY AS FOLLOWS:

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PAGE 02 ROME 02140 131657Z

(PERCENT)
 DEMAND SAVINGS
 DEPOSITS DEPOSITS

OVER 20 MILLION TO 6.5 8.0
 50 MILLION

OVER 50 MILLION TO
 100 MILLION 8.0 9.5

OVER 100 MILLION TO
 250 MILLION 9.5 11.0

OVER 250 MILLION 10.5 12.0

3. BANKING ASSOCIATION COMMUNIQUE ALSO STATES THAT REDUCTION IS PLANNED ON INTEREST RATES ON INTERBANK DEPOSITS AND ON MEDIUM-TERM DEPOSITS. COMMUNIQUE DESCRIBES REDUCTION IN INTEREST RATES ON DEPOSITS AS CREATING NECESSARY PRECONDITION FOR EVENTUAL REDUCTION IN INTEREST RATES CHARGED BY BANKS TO THEIR CLIENTS. ONE PRESS REPORT STATES THAT LATTER QUESTION WILL BE REVIEWED AT NEW MEETING ABOUT 3 WEEKS FROM NOW.

4. /COMMENT/: AGREEMENT WITHIN BANKING ASSOCIATION FOR FURTHER REDUCTION IN INTEREST RATES ON DESPOSITS FOLLOWED LENGTHY DEBATE BETWEEN LARGE BANKS AND SMALLER BANKS, WITH LATTER PRESSING FOR DETAILED SCALE OF RATES ACCORDING TO SIZE OF DEPOSIT AND FOR MAINTAINING RATES ON SMALL DEPOSITS SUFFICIENTLY HIGH TO PERMIT BANKS TO COMPETE WITH POSTAL SAVINGS. FOLLOWING ANNOUCEMENT OF BANK CARTEL AGREEMENT, TREASMIN COLOMBO, MADE RATHER UNUSUAL STATEMENT DESCRIBING AGREEMENT TO REDUCE DEPOSIT RATES AS A POSITIVE FACTOR BUT EXPRESSING CONCERN FOR FAILURE OF BANKS AS YET TO REDUCE INTEREST RATES CHARGED THEIR CLIENTS. COLOMBO INVITED BANKS TO TAKE SUCH A STEP AS SOON AS POSSIBLE IN LINE WITH GOI PLICY OF GRADUAL RELAXATION OF MONETARY POLICY, E.G., RECENT REDUCTION IN DISCOUNT RATE. VOLPE

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